

Household consumption

The introduction of the second lockdown would appear to have led to a sharp decline in household consumption in November, with loss of consumption standing at -15% compared to its pre-crisis level (Q4 2019), after -2% in October. The gradual easing of restrictions since the end of November is expected to lead to a gradual recovery in December: decline in consumption is likely to be reduced to -6% compared to its pre-crisis level. Consumption of manufactured goods is expected to see a benefit from the reopening of “non-essential” businesses, likewise for spending on fuel and transport services as a result of the easing of limitations on movement. Conversely, spending on accommodation-catering and leisure are expected to continue to be penalised as restriction measures remain in force. All in all, household consumption looks set to fall back by 6% in Q4 2020 compared with Q3, and by 7% as an annual average over 2020.

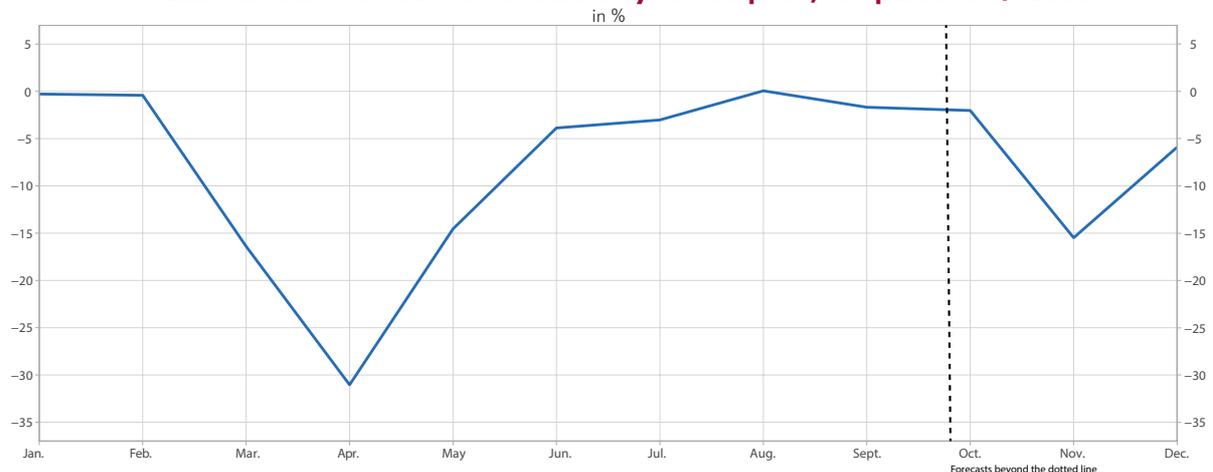
Since the Economic Outlook of 2 December 2020, more detailed statistical feedback has become available for October as well as CB bank card transaction amounts and sales data from major hyper and supermarkets, available up to 6 December, which can be used to refine the estimate for consumption over the last two months (Graph 1). Loss of consumption in October and November would appear to have settled at -2% and -15% respectively compared to Q4 2019 (similar estimates to those in the last Economic Outlook, which were -3% and -14% respectively). For November especially, the revision introduced since the last Economic Outlook is due mainly to a stronger deterioration

than expected in purchases of transport materials and electrical and electronic equipment goods.

Data available for the first days that “non-essential” retail outlets reopened reveal a rebound in consumption: CB bank card transactions increased strongly in week 49 (30 November – 6 December, Graph 2). For the last days of this week, this buoyancy was certainly associated with the postponing of Black Friday (which, conversely, also accounts for the decline in bank card transactions during the last days of November, especially online sales, compared to their 2019 level, Graph 3). For the other days of this week, the level of CB bank card transactions also appears to be fairly dynamic, above the 2019 level. This increase comes mainly from physical sales which, for the first time since lockdown began on 30 October, exceeded their 2019 level.

In December, the gradual easing of restrictions is expected to result in an upswing in consumption, although it will still remain below its Q4 2019 level (-6%). Consumption of industrial goods should return to a similar level to that of October (+2% compared to pre-crisis level, Table 1). With the reopening of “non-essential” retail outlets, spending on manufactured goods is expected to increase markedly, for example in clothing and household equipment (Graph 4), given that the very strong rebound seen at the end of the week of 30 November to 6 December is in theory linked to Black Friday (Graph 5). Purchases of transport materials are likely to return to their pre-crisis level, after tumbling in November, and consumption of fuel is also likely to improve, while still remaining below its pre-crisis level: in this respect, the first days of December show a

1 - Estimated and forecast level of monthly consumption, compared to Q4 2019



How to read: in December, household consumption is expected to stand at 6% below its Q4 2019 level.
Source: INSEE calculations from various sources

French economic outlook

rebound in CB bank card transactions relating to spending on fuel, although still well below its 2019 level (*Graph 5*).

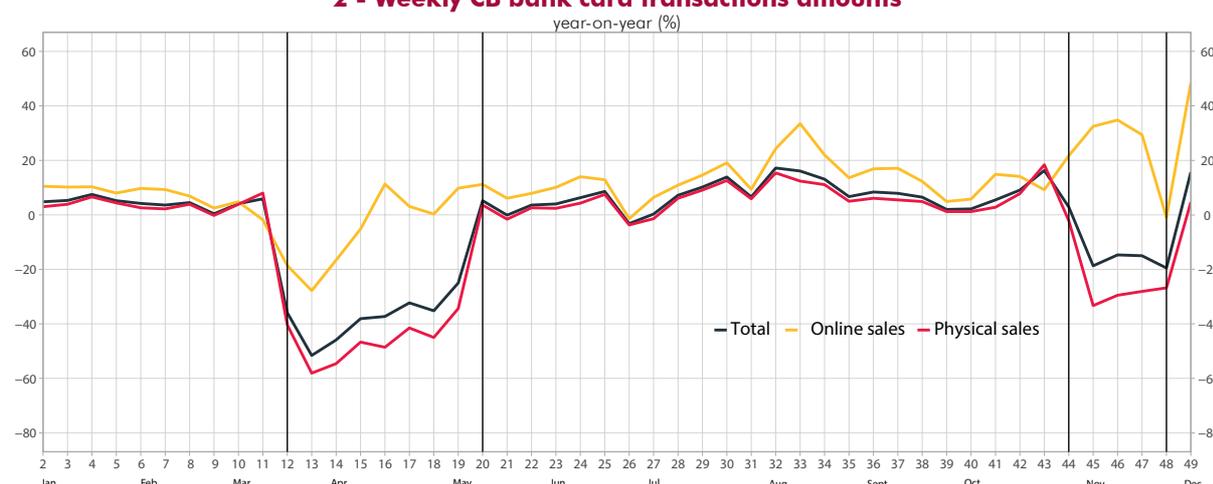
Consumption of market services, on the other hand, although on the increase compared to November, is expected to continue to deteriorate (-16% compared to the Q4 2019 level). This probably reflects the severely affected activity in sectors still subject to closure (catering, trailing accommodation in its wake, cultural and sports activities, *Graphs 5 et 6*) and those beginning to take advantage of the gradual lifting of restrictions in December (transport services). After a moderate decline in November, consumption of non-market services is likely to return almost to its pre-crisis level. In construction, the upswing in renovation work is expected to increase consumption, but it will still be below (-10%) its Q4 2019 level.

All in all, after bouncing back strongly in Q3 (+17.9%), household consumption is likely to

decline by 6% in Q4 (against -11.4% in Q2 and -5.7% in Q1). Across the year, the drop in consumption is expected to settle at about 7% compared to 2019 (*Table 2*).

In Q2, the household savings ratio increased considerably (+12 points compared to its Q4 2019 level) due to the dramatic decline in consumption and the much smaller drop in disposable income. In Q3, the rebound in consumption brought the savings ratio down to 1 point above its pre-crisis level. In Q4, the further decline in consumption combined with the near stability of household disposable income (*Household Income Sheet*) is expected to lead to a further increase in their savings ratio, which will probably be about 22% of gross disposable income (*Graph 7*). Across the whole of 2020, the household savings ratio is expected to stand at 21% of gross disposable income, or 6 points more than in 2019. ■

2 - Weekly CB bank card transactions amounts

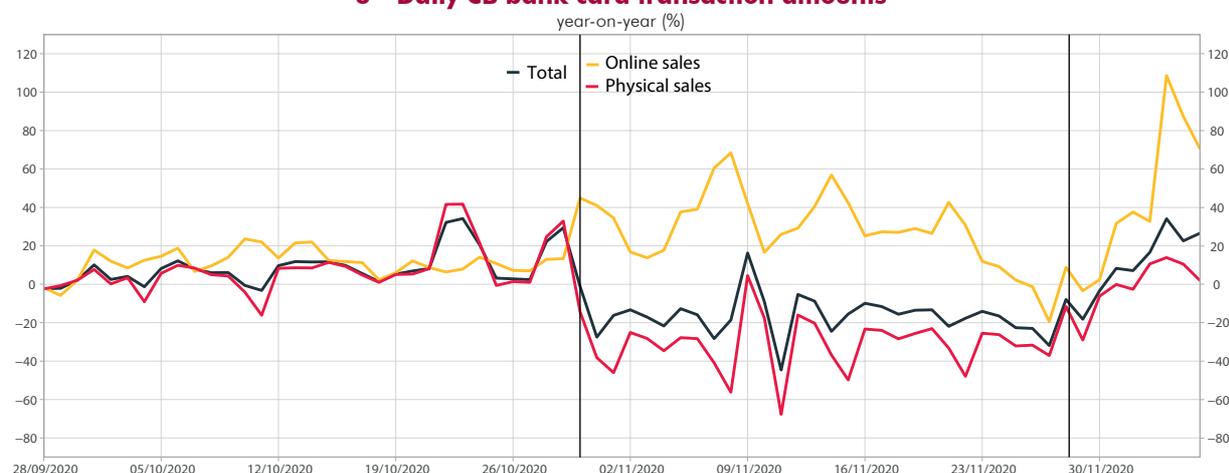


How to read: in week 49 (30 November - 6 December), total CB bank card transaction amounts were 16% higher than in week 49 of 2019. The vertical lines show the dates when "non-essential" retail outlets closed and reopened during the two lockdowns.

Note: from March onwards, the dynamism of these transaction amounts may be due to a higher proportion of payments by bank card, a trend that was corrected for in the estimate of losses or increased consumption compared to the pre-crisis level.

Source: Cartes Bancaires CB, INSEE calculations

3 - Daily CB bank card transaction amounts



Lecture : on Tuesday 1st December, total CB bank card transaction amounts were 8% higher than on the comparable day in 2019. The vertical lines show the dates when "non-essential" retail outlets closed and reopened during the two lockdowns.

Source: Cartes Bancaires CB, INSEE calculations

Tableau 1 - Estimated and projected household consumption levels

Products	Share of consumption*	Q2 (difference in %)	Q3 (difference in %)	Estimate for Oct. (difference in %)	Estimate for Nov. (difference in %)	Forecast for Dec.	Forecast for Q4	Contribution for Q4 (in percentage points)
Agriculture, forestry and fishing	3%	-5	-5	-3	-5	-5	-4	0
Industry	44%	-14	1	3	-16	2	-4	-2
Manufacture of food products, beverages and tobacco-based products	15%	4	0	5	1	0	2	0
Coke and refined petroleum	4%	-29	-5	-4	-30	-6	-13	-1
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	3%	-8	11	11	-14	21	6	0
Manufacture of transport equipment	6%	-35	1	-3	-29	0	-10	-1
Manufacture of other industrial products	12%	-25	3	0	-30	5	-8	-1
Extractive industries, energy, water, waste treatment and decontamination	4%	-1	3	13	-7	0	2	0
Construction	2%	-24	0	-6	-14	-10	-10	0
Mainly market services	46%	-21	-6	-9	-18	-14	-13	-6
Trade; repair of automobiles and motorcycles	1%	-24	2	-1	-16	-1	-6	0
Transport and storage	3%	-72	-27	-30	-62	-45	-46	-2
Accommodation and catering	7%	-64	-17	-32	-60	-59	-50	-4
Information and communication	3%	-7	-4	-1	-5	-1	-2	0
Financial and insurance activities	6%	1	1	1	1	1	1	0
Real estate activities	19%	1	2	1	1	2	2	0
Scientific and technical activities; administrative and support services	2%	-20	-8	-3	-10	-7	-7	0
Other service activities	4%	-40	-14	-19	-37	-22	-26	-1
Mainly non-market services	5%	-22	3	3	-7	0	-1	0
Total	100%	-16	-2	-2	-15	-5	-7	-7

* weight in final household consumption spending in 2018 (excluding territorial correction)

How to read: the level of household consumption of accommodation and catering services in December is expected to be 60% lower than in Q4 2019.

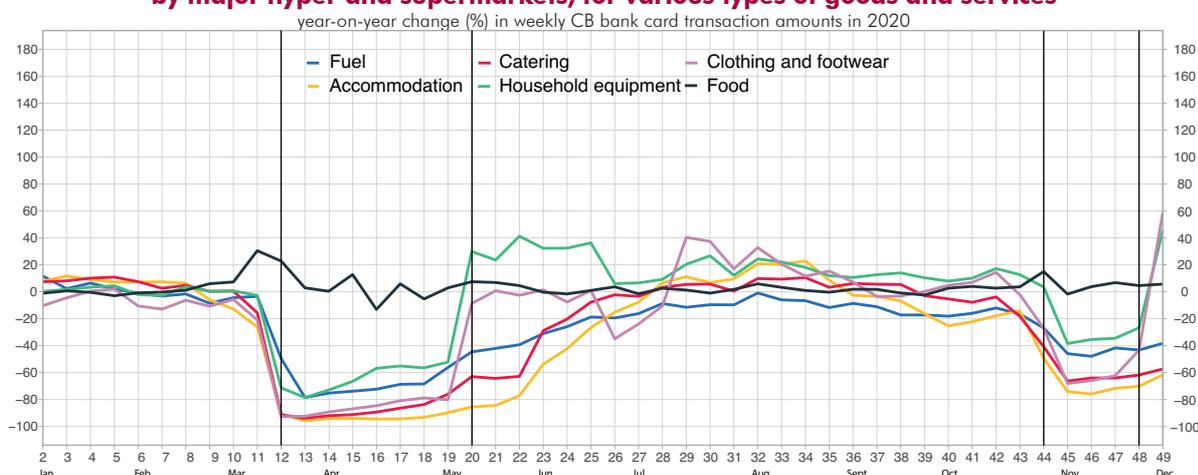
Source: INSEE calculations from various sources

Table 2 - Difference in household consumption compared to Q4 2019 and as a growth rate

	2020Q1	2020Q2	2020Q3	2020Q4	2020
Difference compared to Q4 2019	-5.7%	-16.5%	-1.6%	-7.4%	-7.4%
Change	-5.7%	-11.4%	17.9%	-6.0%	-7.4%

Forecast
Source: INSEE

4 - Weekly CB bank card transaction amounts and sales by major hyper and supermarkets, for various types of goods and services

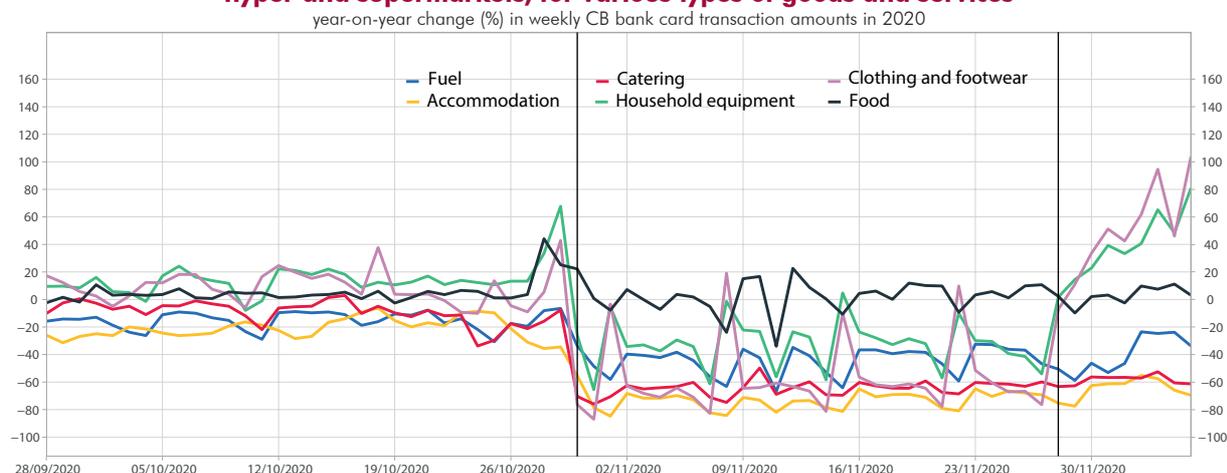


How to read: in week 49 (30 November - 6 December), CB bank card transaction amounts in clothing-footwear were 59% higher than in week 49 of 2019. The vertical lines show the dates when "non-essential" retail outlets closed and reopened during the two lockdowns.

Note: the dynamism of these transaction amounts from March onwards, may be due to a higher proportion of payments by bank card, a trend that was corrected for in the estimate of losses or increased consumption compared to the pre-crisis level.

Source: « CB Cartes Bancaires, scanner data from major hyper and supermarkets (for food), INSEE calculations

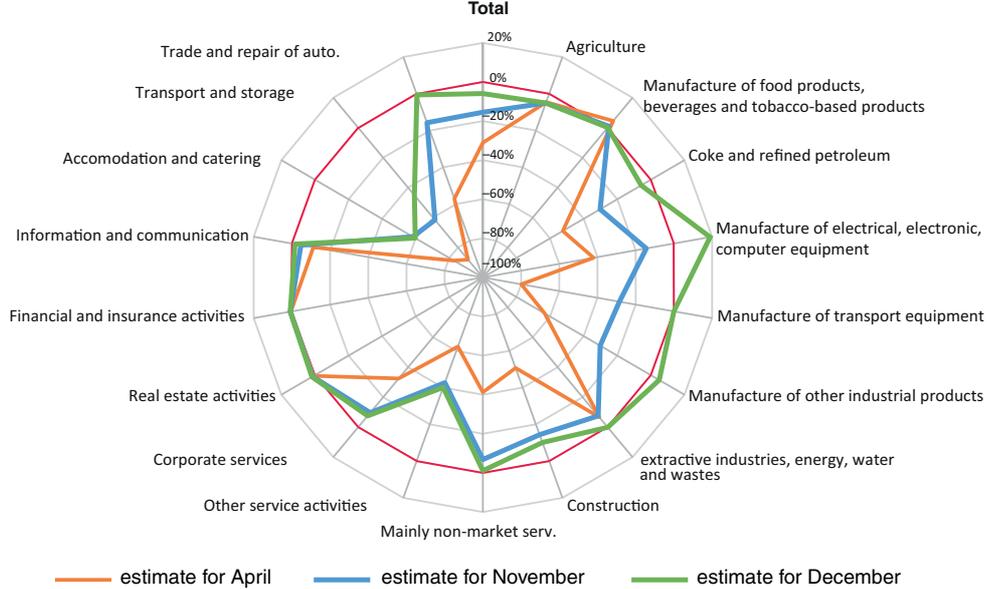
5 - Daily CB bank card transaction amounts and sales by major hyper and supermarkets, for various types of goods and services



How to read: on Tuesday 1st December, CB bank card transaction amounts in clothing-footwear were 51% higher than on the comparable day in 2019. The vertical lines show the dates when "non-essential" retail outlets closed and reopened.

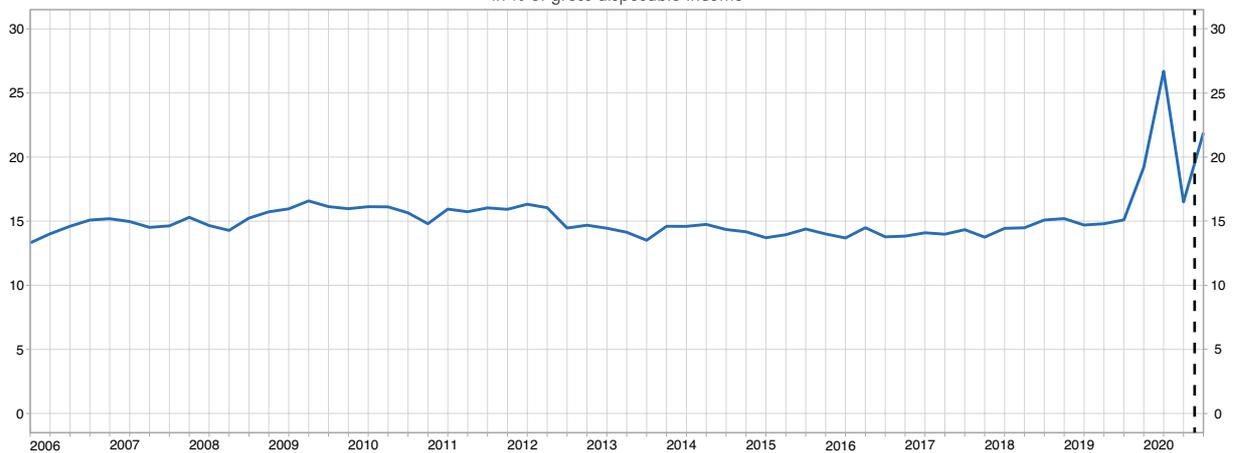
Sources: Scanner data from major hyper and supermarkets (for food), INSEE calculations

6 - Estimated household consumption in April and November and forecast in December compared to Q4 2019



How to read: the loss of activity in accommodation and catering is estimated at -60% in December 2020 against -83% estimated in April (compared to Q4 2019).
 Source: INSEE calculations from various sources

7 - Household savings ratio in % of gross disposable income



How to read: in Q4 2020, the household savings ratio is expected to be 22% of gross disposable income.
 Source: INSEE